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SIPDIS

DEPARTMENT PASS TO DEPARTMENT OF AGRICULTURE
DEPARTMENT PASS TO USTR
GENEVA PASS TO USTR/GENEVA

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TAGS: [EAGR](#) [ETRD](#) [IT](#) [EU](#) [WTO](#)

SUBJECT: ITALY SEEKS "PARALLELISM" TO BREAK DOHA TALKS
IMPASSE ON AGRICULTURAL MARKET ACCESS

REF: A. 10/21/05 USTR-EMBASSY CONFERENCE CALL

[1](#)B. SECSTATE 190748

Classified By: Econ MinCouns Scott Kilner for reasons 1.5 (b) and (d)

[1](#)1. (SBU) Summary: Embassy Rome has met with senior officials in the Vice Ministry of Trade and Ministries of Agriculture and Foreign Affairs to urge the GOI to support EU Trade Commissioner Mandelson on a new EU proposal on agricultural market access within the "negotiating zone" of the USG and G-20 proposals. Officials made clear that April parliamentary elections mean Italy's position will be dictated by political, as well as, economic considerations. All officials pressed for "parallelism" in the negotiations and were concerned over lack of progress in negotiations for improved market access, both for manufactured goods and services. Our interlocutors also pressed for institutionalization of geographical indicators (GIs) and flexibility on "sensitive (certain agricultural) goods." Progress on GIs and sensitive goods, they argued, would help the GOI justify concessions on agricultural access before elections. Mission will continue to press for Italy to act in its own self-interest to re-invigorate the Doha talks and open foreign markets to Italian manufactured goods and services, now 82% of Italy's exports. End summary.

Vice Ministry of Trade: Making the Case for "Parallelism"

[1](#)2. (SBU) On October 24, Econ MinCouns, Econ Counselor, and EconOff met with Amadeo Teti, Director General for Commercial Agreements; Mario Cospito, Diplomatic Advisor to the Vice Minister; and their staff. Econ MinCouns outlined our concern over the state of agricultural talks before the Hong Kong Ministerial and the need to break the agricultural negotiations deadlock. He noted that about 82 percent of Italy's exports are manufactured goods and services, and that it was in Italy's interest to press for further market opening both in non-agricultural goods and services. The first step to doing so and to getting the Doha talks revitalized was to lobby for an improved EU Commission position on agricultural market access.

[1](#)3. (SBU) Teti responded by noting candidly that the Trade Vice Ministry shares our concern about the state of the talks, while the Agriculture Ministry supports the French position. He said the Trade Vice Minister has had difficulty influencing the Italian position because Italy has not seen "gains" on "vital" issues like geographical indicators, non-agricultural market access (NAMA), services, or "increased protection for GIs and intellectual property." Teti expressed optimism that progress on GIs and NAMA and services market access might enable the Trade Vice Ministry to persuade the Agriculture Ministry to give EU Trade Commissioner Mandelson more space in the agriculture negotiations.

[1](#)4. (SBU) Teti also questioned the "sequencing" of the talks, saying that the current approach of insisting on agricultural market access concessions first has produced a pay-as-you-go situation in which each set of discussions (on agriculture, NAMA, services) must stand on its own. He argued for a parallel negotiating approach in which quid-pro-quo among agricultural/NAMA/services market access could more easily be negotiated. The problem with the current arrangement, he said, is that it gives agricultural interests disproportionate influence over subsequent talks by allowing agricultural interests to bring the agricultural talks to a standstill, thus jeopardizing the entire Round.

[1](#)5. (C) Subsequently, on October 25, Cospito briefed EconOff on an October 24 meeting between Vice Minister Urso and WTO Director-General Lamy. According to Cospito, who attended the meeting, Lamy was pessimistic about a successful Hong Kong Ministerial, while EU Trade Commissioner Mandelson was "worried." During the meeting, Urso reportedly pressed Lamy for a "positive sign" on parallelism. Cospito stated that the GOI will work within the EU to "push ahead" on the agricultural negotiations, if Italy has reason to believe there would be progress on GIs and NAMA and services market

access. Without a positive sign, the GOI's "hands are tied;" and Italy would continue to support the EU position.

Agriculture Ministry: Italy and the EU Have Given Enough

16. (SBU) On October 26, MinCouns for Agricultural Affairs met with Ambassador Francesco Camillo Peano, Diplomatic Advisor to Minister of Agriculture Giovanni Alemanno. While Peano understood our concern over the state of the Round, the Agriculture Ministry feels that between the Common Agricultural Policy (CAP) reforms begun in 2003 and the current EU proposal on agricultural market access, the EU has given enough. Echoing the points made at the Trade Vice Ministry, Peano complained about lack of progress on GIs and sanitary and phytosanitary standards (SPS).

17. (SBU) Comment: Agriculture Minister Alemanno was one of fourteen EU Agriculture Ministers to sign the October 14 letter to EU Trade Commissioner Mandelson, which resulted in last week's meeting of the European Commission and subsequent "technical oversight" of Mandelson's negotiating position. Alemanno is a member of the National Alliance (AN) party, which relies considerably on farmer support. It is not surprising that he and the Agriculture Ministry have consistently taken a hard line on the agriculture negotiations. End comment.

Ministry of Foreign Affairs: In Synch with Agriculture and
Toeing the Line

18. (SBU) Also on October 26, Econ MinCouns, Econ Counselor, and EconOff met with Ambassador Francesco Olivieri, recently returned from the OECD and now MFA official in charge of WTO and Doha Round issues, and Paola Amadei, MFA Counselor for EU Integration and the WTO. Olivieri stated that the GOI is committed to a successful Round, but must see movement on GIs, sensitive product lists, and NAMA- and services- market access before making concessions on agriculture.

19. (SBU) Olivieri, a veteran of the Uruguay Round, noted that April elections "make things difficult" and that negotiations cannot result in a situation which "obliterates" one sector (agriculture) for progress in other sectors. He repeated the case for "parallelism," by arguing that the current negotiating approach means there can be no contemporaneous "gains" in goods and services (specifically on GIs, sensitive goods, and NAMA/services-market access) to offset "losses" in agriculture. Amadei stated there had been no progress in NAMA and services negotiations, including on GIs, which are Italy's highest priority. "In four years of negotiations, what has Brazil given up?" she asked.

110. (SBU) Olivieri concluded saying that the GOI could "give up protection to gain access." He also made the case for GIs at some length, by arguing that GIs are necessary for small Italian farmers to remain competitive against "vastly efficient" farmers from "Argentina and Brazil." The bottom line, according to Olivieri, is that while the GOI does not want to bear responsibility for the failure of the Round, Italy will push the issues of GIs, protection for "sensitive (certain agricultural) products," and increased access for manufactured goods and services as far as it can. Lack of progress on these issues is a "deal-breaker for the GOI," he said.

Comment

11. (SBU) Despite Italy's obvious national economic interest in breathing life back into the Doha Round -- the NAMA and services negotiations in particular -- the GOI continues to be stymied by the political costs of agricultural concessions, especially with national elections in full view. For this reason, we are not convinced by Trade Ministry assertions that "positive signs" on institutionalizing GIs and NAMA- and services-market access will be sufficient for the Berlusconi government as a whole to agree to further agricultural concessions. Our experience has been that on this issue, the political and institutional weight of making trade policy rests with the Ministry of Agriculture, not with the more forward-looking Vice-Ministry of Trade. End comment.
SPOGLI